

Message Text

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ORIGIN EB-07

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APPROVED BY EB/AN:JBMAGNOR
CAB - RMILLER
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EB/OA - MHSTYLES
EUR/EEAMBASSADOR BYRNE
-----029947 220904Z /10
R 212205Z JUL 77
FM SECSTATE WASHDC
TO AMEMBASSY PRAGUE

C O N F I D E N T I A L STATE 170866

E.O. 11652: GDS

TAGS: EAIR, CZ

SUBJECT: CIVAIR - PAN AM PROBLEMS

REF: PRAGUE 1934

1. BEGIN LIMITED OFFICIAL USE. DEPT CONCURS WITH EMBASSY ASSESSMENT THAT STATE BANK FAILURE TO ALLOW EFFECTIVE SALES OF PAN AM SERVICES TO DAMASCUS IS "SERIOUS" MATTER AND NOT JUST A "TECHNICAL" DETAIL WHICH MFA SHOULD BE ALLOWED TO IGNORE.

2. PAN AM RECOGNIZES THAT IN CZECHOSLOVAKIA AND MOST EAST EUROPEAN COUNTRIES NATIONAL AIRLINE HAS REVENUE POOLING ARRANGEMENTS WITH FOREIGN AIRLINES EXCEPT US AIRLINE AND THAT ONE RESULT OF THIS IS RELUCTANCE OF NATIONAL AIRLINE TO
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SELL ANYTHING BUT DIRECT SERVICES TO U.S. IN CZECH CASE, SALES QUOTA IS "END-RUN" AROUND THIS PROBLEM (ALTHOUGH, AS PRACTICAL MATTER, PRACTICALLY ALL PAN AM SERVICES SOLD BY CSA ARE TRANSATLANTIC).

3. PRAGUE-DAMASCUS SERVICE IS PROBABLY MARGINAL OPERATION. NEVERTHELESS, DEPT CONCURS THAT EMBASSY SHOULD MAKE DEMARCHE

STRESSING USG CONCERN WITH IMPLICATIONS FOR FUTURE OF CIVIL AIR
RELATIONSHIP OF STATE BANK FAILURE TO PERMIT SALES OF PAN AM

TICKETS (PARTICULARLY WHILE WE ARE TRYING TO EXTEND
AGREEMENT AND PROTOCOL TO PROVIDE FOR SALES OF SUCH SER-
VICES). TEXT OF EMBASSY NOTE IS PROVIDED IN PARA 4 BELOW.

4. BEGIN TEXT. "... REFERS TO THE AIR TRANSPORT AGREEMENT
BETWEEN THE UNITED STATES OF AMERICA AND CZECHOSLOVAKIA OF
1969 AS AMENDED AND EXTENDED.

"THE UNITED STATES GOVERNMENT IS CONCERNED THAT ITS LONG-
STANDING OBJECTIVE OF EXTENDING THE AIR TRANSPORT AGREEMENT
ON MUTUALLY ACCEPTABLE TERMS IS BEING JEOPARDIZED BY
APPARENT VIOLATIONS OF THE SPIRIT AND LETTER OF THE AGREE-
MENT AND ITS PROTOCOL. THE REPORTED REFUSAL OF THE STATE
BANK OF CZECHOSLOVAKIA TO ALLOCATE CURRENCY RESERVES FOR
THE PURCHASE OF THE SERVICES OF THE US DESIGNATED AIRLINE
ON ITS PRAGUE-DAMASCUS ROUTING CLEARLY CONTRAVENES THE
INTENTION OF ARTICLE X AND OF SUB-PARAGRAPH 2(B) AND
PARAGRAPH 3 OF THE PROTOCOL OF MAY 24, 1972.

"THE UNITED STATES GOVERNMENT IS CONCERNED THAT THE STATE
BANK OF CZECHOSLOVAKIA'S UNEXPLAINED REFUSAL TO ALLOCATE
CURRENCY FOR SALES ON THE PRAGUE-DAMASCUS SERVICE OF THE
US DESIGNATED AIRLINE WILL ADVERSELY AFFECT THE FUTURE OF
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THE UNITED STATES-CZECHOSLOVAK CIVIL AIR TRANSPORT RELA-
TIONSHIP AND THEREFORE URGES THAT THE GOVERNMENT OF THE
CZECHOSLOVAK SOCIALIST REPUBLIC CORRECT THIS SITUATION AS
SOON AS POSSIBLE." END TEXT. END LIMITED OFFICIAL USE.

5. BEGIN CONFIDENTIAL. REGARDING BURGLARIES OF PAN AM'S
OFFICE, DEPT IS UNABLE TO ASSESS PROBABILITY BREAK-INS ARE
RESULT OF CRIMINAL OR STATE ACTIVITY. PAN AM NEW YORK WAS
APPARENTLY UNAWARE OF NUMBER OF FORCED ENTRIES BUT NOW SEES
SUSPICIOUS PATTERN. DEPT BELIEVES IT WOULD BE HELPFUL
FOR EMBASSY TO NOTE FREQUENCY OF ENTRIES AND THE MAGNITUDE
OF LOSSES AND TO SUGGEST THAT GOC SHOULD MAKE GREATER
EFFORTS IN FUTURE TO PREVENT REPETITION.

6. PAN AM WOULD PREFER EMBASSY TREAD LIGHTLY ON INCOME
TAX LIABILITY OF HAY. CLEARLY CSA US-BASED PERSONNEL ARE
NOT EXEMPT FROM US TAXES AND WE CANNOT OFFER RECIPROCITY
IF HAY IS EXEMPTED. IRS WILL NOT CONFIRM IF CSA PERSONNEL
ACTUALLY PAY FEDERAL TAX, AND WE HAVE NOT PURSUED MATTER
BEYOND INITIAL CONTACT. END CONFIDENTIAL.

7. AM(ASSADOR BYRNE CONCURS IN THIS MESSAGE. VANCE

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NNN

Message Attributes

Automatic Decaptioning: X
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Current Classification: UNCLASSIFIED
Concepts: AIRLINES, AVIATION AGREEMENTS
Control Number: n/a
Copy: SINGLE
Sent Date: 21-Jul-1977 12:00:00 am
Decaption Date: 01-Jan-1960 12:00:00 am
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
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Disposition Event:
Disposition History: n/a
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Status: NATIVE
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TAGS: EAIR, CZ, PAN AM
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vdkgvwkey: odbc://SAS/SAS.dbo.SAS_Docs/8acdea65-c288-dd11-92da-001cc4696bcc
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